

July 2011

DEFENSE MANAGEMENT

Actions Needed to Improve Management of Air Force's Food Transformation Initiative

U.S. Government Accountability Office



Report Documentation Page			Form Approved OMB No. 0704-0188	
<p>Public reporting burden for the collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington Headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington VA 22202-4302. Respondents should be aware that notwithstanding any other provision of law, no person shall be subject to a penalty for failing to comply with a collection of information if it does not display a currently valid OMB control number.</p>				
1. REPORT DATE JUL 2011	2. REPORT TYPE	3. DATES COVERED 00-00-2011 to 00-00-2011		
4. TITLE AND SUBTITLE Defense Management: Actions Needed to Improve Management of Air Force's Food Transformation Initiative			5a. CONTRACT NUMBER	
			5b. GRANT NUMBER	
			5c. PROGRAM ELEMENT NUMBER	
6. AUTHOR(S)			5d. PROJECT NUMBER	
			5e. TASK NUMBER	
			5f. WORK UNIT NUMBER	
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) U.S. Government Accountability Office, 441 G Street NW, Washington, DC, 20548			8. PERFORMING ORGANIZATION REPORT NUMBER	
9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES)			10. SPONSOR/MONITOR'S ACRONYM(S)	
			11. SPONSOR/MONITOR'S REPORT NUMBER(S)	
12. DISTRIBUTION/AVAILABILITY STATEMENT Approved for public release; distribution unlimited				
13. SUPPLEMENTARY NOTES				
14. ABSTRACT				
15. SUBJECT TERMS				
16. SECURITY CLASSIFICATION OF:			17. LIMITATION OF ABSTRACT Same as Report (SAR)	18. NUMBER OF PAGES 49
a. REPORT unclassified	b. ABSTRACT unclassified	c. THIS PAGE unclassified	19a. NAME OF RESPONSIBLE PERSON	



Highlights of GAO-11-676, a report to congressional committees

Why GAO Did This Study

To assess quality of life and identify areas for improvement, the Air Force conducts periodic surveys of its airmen. Recent surveys indicated that many of them were not satisfied with the quality, variety, and availability of food at Air Force bases. As a result, the Air Force implemented an initiative in 2010—the Food Transformation Initiative—to improve on-base food services. The Air Force piloted the initiative at six installations with a \$10.3 million contract awarded in August 2010 and plans to eventually expand the initiative to other installations in the United States. The Senate and House Armed Services Committees directed GAO to undertake a comprehensive review of the initiative. GAO reviewed (1) the initiative's objectives and performance measures, (2) implementation progress, (3) the initiative's impact on food service workers at the pilot installations, and (4) alternative approaches the Air Force considered. GAO reviewed documentation on the initiative, interviewed Air Force and contractor officials, and visited four of the six pilot installations.

What GAO Recommends

GAO recommends that the Air Force take several actions to improve management of the Food Transformation Initiative, including developing an evaluation plan to assess the initiative's results before moving beyond the pilot. In commenting on a draft of this report, the Department of Defense concurred with all the recommendations.

View GAO-11-676 or key components.
For more information, contact Revae Moran at
(202) 512-3863 or moranr@gao.gov.

July 2011

DEFENSE MANAGEMENT

Actions Needed to Improve Management of Air Force's Food Transformation Initiative

What GAO Found

The Air Force established eight objectives for its Food Transformation Initiative, but it has not fully developed metrics or an evaluation plan for assessing the initiative's results. When GAO began its review, the Air Force had developed metrics for three of the eight objectives. The Air Force subsequently identified metrics for four additional objectives, but it did not have a robust evaluation plan, as called for by best practices derived from prior GAO work and various guidance documents, that describes how the initiative's results will be measured. Without well-defined metrics, contained in an evaluation plan that is clearly linked to its objectives, the Air Force is not in a position to adequately assess the results of the pilot and make informed decisions about the initiative's future.

The Air Force has made some improvements to its food service operations as a result of the Food Transformation Initiative, but a key part of the initiative has been delayed, and it is too early to measure its results. The Air Force has obtained mostly positive feedback on the changes it has made, but the data collected to date are preliminary. In addition, the campus dining concept, which will allow airmen to use their meal cards to eat at on-base dining facilities other than the main dining facility, had not been implemented at the time of GAO's review. Therefore, this concept, a key part of the initiative, could not be assessed. Furthermore, initial data show that the Air Force may have underestimated some of the costs of the initiative, by overestimating the number of hours military personnel can provide the contractor for cooking and food preparation.

The Food Transformation Initiative, as implemented so far, has had varying effects on food service workers. All military and civilian cooks at the main dining facilities have maintained their jobs, but some expressed concerns about increases in their job responsibilities. Most contract mess attendant employees have retained their jobs, but the total number of these employees has been reduced and some contract employees lost their jobs as a result of the initiative. Further, most civilian employees at nonappropriated fund food and beverage operations, such as clubs and snack bars, accepted jobs with the new contractor, but their job security remains uncertain as the contractor tries to make the facilities profitable and the remaining parts of the initiative are implemented.

The Air Force included three options in its analysis of alternatives in selecting its method for improving its food services, but did not follow its own guidance for identifying and assessing alternatives that would meet the program's stated objectives. GAO found that two of the three alternatives were not viable options to be considered because they only met three of the program's eight objectives. In addition, the Air Force may be able to reduce its food service costs by reviewing and renegotiating its existing food service contracts at bases that are not part of the pilot program.

Contents

Letter		1
Background		3
The Air Force Has Established Objectives for the Food Transformation Initiative, but Has Not Fully Developed Metrics or an Evaluation Plan for Assessing Results		7
The Food Transformation Initiative Has Produced Some Food Service Improvements, but More Time Is Needed to Measure Results		11
A Key Part of the Initiative—the Campus Dining Concept—Has Not Been Implemented		19
Initial Labor Cost Information Indicates Savings May Be Less Than Estimated		20
Implementation of the Food Transformation Initiative Has Had Varying Effects on Food Service Workers		21
The Air Force’s Food Transformation Analysis of Alternatives Was Limited, and Other Options for Achieving Cost Savings May Be Available		27
Conclusions		33
Recommendations for Executive Action		34
Agency Comments and Our Evaluation		34
Appendix I	Scope and Methodology	37
Appendix II	Comments from the Department of Defense	40
Appendix III	GAO Contact and Staff Acknowledgments	44
Tables		
Table 1: Dining Facilities at Each Pilot Installation		5
Table 2: Food Transformation Initiative Objectives		8
Table 3: Increase in Hours of Operation at the Main Dining Facilities		13
Table 4: Projected Cost of Dining Facility Renovations at Six Pilot Installations		16
Table 5: Change in the Number and Percentage of Meals Purchased at the Main Dining Facilities		17

Table 6: Number of Ability One Workers before and after the Food Transformation Initiative	23
Table 7: Number of Former Nonappropriated Fund Food and Beverage Operation Employees Who Accepted Positions with Aramark	25
Table 8: Employees Eligible for and Enrolled in the Nonappropriated Fund Retirement System	27
Table 9: Comparison of Labor Hours under Previous Contract to Labor Hours under the Food Transformation Initiative Contract	32

Figures

Figure 1: Comparison of Customer Satisfaction Survey Results for Pilot Bases to All Air Force Bases, 2010	14
Figure 2: Entryway at Dining Facility, MacDill Air Force Base, Florida, before and after Initiative	15
Figure 3: Salad Bar at MacDill Air Force Base, Florida, before and after Implementation of the Food Transformation Initiative	16

This is a work of the U.S. government and is not subject to copyright protection in the United States. The published product may be reproduced and distributed in its entirety without further permission from GAO. However, because this work may contain copyrighted images or other material, permission from the copyright holder may be necessary if you wish to reproduce this material separately.

July 26, 2011

Congressional Committees

Maintaining satisfaction with quality of life is a key ingredient in the Air Force's ability to successfully retain needed personnel. To assess quality of life and identify areas where improvements are needed, the Air Force conducts periodic surveys of airmen. Through these surveys, the Air Force found many airmen were not satisfied with the quality, variety, and availability of food at Air Force installations. In an effort to improve satisfaction in this area, the Air Force developed a program—the Food Transformation Initiative—designed to improve the quality, variety, and availability of food while continuing the training of military cooks who feed airmen during deployments. In October 2010, the Air Force began piloting the initiative at six Air Force installations and plans to eventually expand it to other installations in the United States.¹

On August 31, 2010, the Air Force awarded the contract for the Food Transformation Initiative to Aramark, a large company experienced in food service, and on October 1, 2010, issued a delivery order for an estimated \$10.3 million.² The contract covers a full range of dining services, including cleaning the facility and menu development, as well as providing input into the design of renovations for some of the existing dining facilities at the six pilot bases. It is anticipated that the renovations to the main dining facilities,³ expected to cost an additional \$9 million, will generally be paid for by the Air Force, subject to funding caps. While the initiative is focused on improving food and service at the main dining facilities, a second element is to have the contractor operate the nonappropriated fund food and beverage operations, such as clubs and bowling center snack bars, because many of these facilities were losing

¹The pilot installations include Elmendorf Air Force Base, Alaska; Little Rock Air Force Base, Arkansas; Fairchild Air Force Base, Washington; Travis Air Force Base, California; MacDill Air Force Base, Florida; and Patrick Air Force Base, Florida.

²In a decision issued August 2, 2010, we denied a bid protest concerning the Food Transformation Initiative solicitation. See *John P. Santry—Designated Employee Agent*, B-402827, Aug. 2, 2010, 2010 CPD ¶ 177.

³The Air Force calls its main dining facilities “mission essential feeding facilities,” which is also the term used in the contract. We use the term main dining facilities to refer to these facilities in this report.

money and in danger of being closed. By including the nonappropriated fund food and beverage operations in the initiative, the Air Force will eventually be able to allow the installations to institute “campus style dining,” where airmen can use their meal cards to purchase food at different facilities at each installation.⁴

In reports accompanying proposed bills for the National Defense Authorization Act for fiscal year 2011,⁵ the Senate and House Armed Services Committees directed that we undertake a comprehensive review of the Air Force’s Food Transformation Initiative. In response, we reviewed (1) the initiative’s objectives and performance measures, (2) progress the Air Force has made in meeting the objectives of the initiative, (3) the initiative’s impact on food service employees at the pilot bases, and (4) the Air Force’s consideration of alternative approaches for transforming its food service program.

To address these objectives, we interviewed Air Force officials about the development of objectives and performance measures for the initiative and assessed the objectives and performance measures in view of Department of Defense (DOD) and Air Force guidance and criteria from our previous work. In addition, we collected and analyzed data related to the initiative’s objectives, such as changes in the number of meals served and the level of airmen’s satisfaction with food services. To assess the reliability of these data, we discussed the procedures for generating and verifying the data with knowledgeable officials and, where possible, examined the data for obvious anomalies. Where we found limitations with the data, we presented that information in the report, but otherwise determined that the data were sufficiently reliable for the purposes of our report. We also interviewed contractor officials, union representatives, and food service employees about their experiences under the initiative and reviewed information on the impact the initiative has had on civilian food service employees, military food service personnel, food service contract workers, and employees at nonappropriated fund food and beverage operations. Further, we assessed the process the Air Force

⁴Certain junior enlisted personnel, primarily in grades E1-E4 and who are assigned to the dormitory, are usually placed on essential station messing. Enlisted personnel on essential station messing receive meals in the dining facility by presenting proper identification. In this report, we use the term meal card to refer to these benefits.

⁵See S. Rep. No. 111-201, at 115 (2010) (accompanying S. 3454); H.R. Rep. No. 111-491 at 264-265 (2010) (accompanying H.R. 5136).

used in selecting the Food Transformation Initiative, including alternatives that were considered. We compared the Air Force's business case analysis, which describes the alternatives considered, to the criteria provided in the *GAO Cost Estimating and Assessment Guide*⁶ and Air Force guidance. We also discussed with Air Force officials options other than the Food Transformation Initiative they could have considered for improving food service at other installations. We conducted this performance audit from September 2010 to July 2011, in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. A more detailed description of our scope and methodology is included in appendix I.

Background

In the Air Force, food service program oversight is provided by the Air Force Services Agency, headquartered in San Antonio, Texas. The agency is responsible for oversight of the Air Force's food service program, including developing the menus for the main dining facilities and providing training for military food service workers who assist in food preparation and the operation of dining facilities. According to Air Force officials, each Air Force installation contracts for mess attendant services, such as cleaning and cashiering services, at their main dining facilities and is responsible for awarding and managing these contracts. In addition, although many installations use both military and civilian personnel as cooks, according to Air Force officials, some installations have expanded their mess attendant services contracts to enable them to use contract employees to prepare and serve food. Depending on the availability of and priorities given to contractors located near the installations, according to Air Force officials, the installations may award these food service contracts to small business firms,⁷ contractors covered

⁶GAO, *GAO Cost Estimating and Assessment Guide: Best Practices for Developing and Managing Capital Program Costs*, GAO-09-3SP (Washington, D.C.: March 2009).

⁷According to the Small Business Administration, a food service contractor is considered a small business if its average annual receipts are equal to or less than \$35.5 million. Information on calculating annual receipts is provided in 13 C.F.R. § 121.104(c). Prior to November 5, 2010, the threshold for food service contractors was \$20.5 million. See Small Business Size Standards; Accommodation and Food Service Industries, 75 Fed. Reg. 61,604 (Oct. 6, 2010) (to be codified at 13 C.F.R. pt. 121).

by the Randolph-Sheppard Act,⁸ or contractors covered by the Ability One program.⁹

The Air Force Services Agency, which developed the Food Transformation Initiative and awarded the implementation contract for the six pilot installations to Aramark, is responsible for managing and overseeing the execution of the contract, along with a contracting officer's representative from each base's Force Support Squadron. Under the contract, Aramark is responsible for overseeing the day-to-day food service operations at the six pilot installations and planning and executing the menus. Aramark is also responsible for subcontracting for the required food service labor at the pilot installations and is required under its contract to subcontract with Ability One agencies for the main dining facilities.¹⁰ Aramark works with the Ability One agencies to negotiate the labor hours needed and the cost of labor at the pilot installations.

Air Force officials plan to implement the initiative at a second set of up to eight installations after assessing the results of the initiative at the six installations in the pilot program. If the initiative continues to be successful, they plan to implement it at more Air Force installations in the United States over the next 5 years. Potentially, the Food Transformation Initiative could be implemented at all of the Air Force's 149 appropriated fund dining facilities nationwide.

⁸The Randolph-Sheppard Act created a vending facility program in 1936 to provide blind individuals with more job opportunities and to encourage their self-support. See Pub. L. No. 74-732 (1936) (codified as amended at 20 U.S.C. §§ 107 to 107f). The program trains and employs blind individuals to operate vending facilities on federal property. Federal law gives blind vendors under the program a priority to operate cafeterias on federal property. See 20 U.S.C. § 107d-3(e). According to Air Force officials, the Air Force currently has nine Randolph-Sheppard Act contractors operating dining facilities.

⁹The Ability One program, formerly referred to as the Javits-Wagner-O'Day Act program and codified at 41 U.S.C. §§ 8501 to 8506, provides training and employment opportunities for persons who are blind or have other severe disabilities through the purchase of products and services from nonprofit agencies employing these individuals. If a product or service is on the procurement list maintained by the Committee for Purchase from People Who Are Blind or Severely Disabled, a government entity intending to procure that item or service generally must procure it from a qualified nonprofit agency. See § 8504. Federal Acquisition Regulation provisions implement the program. See 48 C.F.R. subpart 8.7.

¹⁰The contract contains a Statement of Objectives for each pilot location, each of which indicates that Ability One participation is not required at nonappropriated fund food and beverage resale operation locations but is encouraged.

Initially, the Food Transformation Initiative focused on improving food service at the pilot installations' main dining facilities by increasing the hours of service, remodeling the dining facilities (using money provided by the Air Force), developing new menus, and providing an executive chef at each location. In addition, the main dining facilities were opened to all installation personnel. Previously, the main dining facilities at most installations were not available to all installation personnel. According to Air Force officials, the potential increase in customers by opening the dining facilities to all installation personnel is a key component of the initiative because making greater use of a facility, which has fixed overhead costs, could help defray the costs of providing meals.

According to the Air Force, the initiative also offered installation commanders the option of turning over their nonappropriated fund food and beverage operations, such as bowling center and golf course snack bars and officers' and enlisted members' clubs, to Aramark in a commission-based contract.¹¹ Table 1 lists the pilot installations and dining facilities included in the Food Transformation Initiative contract.

Table 1: Dining Facilities at Each Pilot Installation

Air Force installation	Main dining facilities	Nonappropriated fund food and beverage operations ^a
Elmendorf	<ul style="list-style-type: none">• Iditarod Dining Facility• Kenai Flight Kitchen	<ul style="list-style-type: none">• Eagle's Nest Café at the Eagle Glen Golf Course• The Warehouse Grill at the Kashim Enlisted Club• Paradise Café at the Community Center• Hillberg Snack Bar^b
Fairchild	<ul style="list-style-type: none">• Warrior Inn• Warrior Inn Express• Ross Dining Facility• Flightline Feeding Facility	<ul style="list-style-type: none">• Funspot Bowling Center Snack Bar• Comingled lounge at the Bowling Center^c• Final Point at the Club Annex
Little Rock	<ul style="list-style-type: none">• Hercules Dining Facility• Flight Line Kitchen	<ul style="list-style-type: none">• Deer Run Golf Course• Strike Zone Café at the Bowling Center• Hangar 1080 Club

¹¹The contract and orders under the contract use the terms concessionaire or commission rate in describing the nature of the contract.

Air Force installation	Main dining facilities	Nonappropriated fund food and beverage operations ^a
MacDill	<ul style="list-style-type: none"> • Diner's Reef • Flight Kitchen (colocated with Diners' Reef) 	<ul style="list-style-type: none"> • Bay Palms Golf Course Snack Bar • MacDill Lanes Snack Bar at the Bowling Center • Bayshore Officers' Club • Boomer's Bar and Grill – Enlisted Club • Seascapes Beach Club – All Ranks Club
Patrick	<ul style="list-style-type: none"> • Riverside Dining Facility • Riverside Flight Kitchen 	<ul style="list-style-type: none"> • Manatee Cove Golf Course Café and Lounge • Rocket Lanes Ten Pin Café • The Tides Club and The Blockhouse – Enlisted Club
Travis	<ul style="list-style-type: none"> • Sierra Inn • Sierra Inn Grab and Go • Golden Bear Flight Kitchen 	<ul style="list-style-type: none"> • Gatsby's Grill at the Golf Course • Strike Zone Grill at the Bowling Center • Delta Breeze Colocated Club • Rickenbacker's Coffee Shop

Source: GAO analysis of Air Force information.

^aAs represented by the Air Force.

^bThe Statement of Objectives includes seasonal operation of the Hillberg T-Bar Grill among the potential future dining opportunities, available for incorporation into the delivery order at the installation's discretion. A modification to the initial nonappropriated fund order for Elmendorf adds a line item to allow the contractor to operate the Hillberg facility snack bar from February 7 to March 31, 2011, based on specified terms and conditions. The modification states that “[n]o commissions will be paid due to the partial season and timeline” and that a “reassessment of the operation will occur after completion of the season before additional seasons are addressed.”

^cThis facility does not appear on the nonappropriated fund order with the contractor, but the Statement of Objectives for Fairchild Air Force Base indicates that the installation desires to develop a comingled bar/lounge adjacent to the snack bar.

Traditionally, nonappropriated fund food and beverage operations have been part of the installations' morale, welfare, and recreation program run by nonappropriated fund personnel employed by nonappropriated fund instrumentalities at each Air Force installation.¹² According to Air Force officials, these food and beverage operations have been losing money, and including them in the contract with Aramark was an attempt to make

¹²Nonappropriated fund instrumentalities are organizations that typically provide for the morale, welfare, and recreation of government officers and employees. Employees of armed forces nonappropriated fund instrumentalities are generally not deemed to be employees of the United States except as specifically provided by statute.

The Air Force Has Established Objectives for the Food Transformation Initiative, but Has Not Fully Developed Metrics or an Evaluation Plan for Assessing Results

them more profitable. For example, according to Air Force data, the nonappropriated fund food and beverage operations at the six pilot installations lost almost \$950,000 during the 5-year period from fiscal year 2005 to fiscal year 2009. In fiscal year 2009, the clubs, golf course snack bars, and bowling center snack bars at the Travis and Elmendorf Air Force bases lost about \$122,000 and \$99,000 respectively. In the new arrangement, Aramark operates the facilities, including hiring personnel to run the operations and developing menus, and plans to invest its own money to remodel some of these nonappropriated fund food and beverage operations. In return, the nonappropriated fund instrumentality will receive a commission on each sale. At each of the pilot locations, the installation commanders decided to turn over operation of many of their nonappropriated fund food and beverage operations to Aramark.

The Air Force has established eight objectives for its Food Transformation Initiative, but it has not fully developed the metrics or an evaluation plan for assessing the initiative's results. Best practices, such as those prompted by principles derived from our previous work,¹³ and from DOD and Air Force guidance,¹⁴ suggest that programs need specific metrics against which their performance can be measured. These metrics should be well defined and include measurable targets. Our previous work further suggests that, ideally, these objectives and metrics should be described in a single document, such as an evaluation plan that defines how results can be measured. This is especially important for a pilot program so that performance information can be used to make changes and adjustments to make the program more effective before expanding its implementation to other installations. Without an evaluation plan with well-

¹³See GAO, *Agency Performance Plans: Examples of Practices That Can Improve Usefulness to Decisionmakers*, GAO/GGD/AIMD-99-69 (Washington, D.C.: Feb. 26, 1999). Although this report focuses on agency plans under the Government Performance and Results Act, it presents useful principles for measuring program performance.

¹⁴For example, although DOD Instruction 5000.02, which includes guidance on the acquisition of services, may not directly apply to the Food Transformation Initiative, it provides useful information concerning considering performance evaluation in the context of acquisition planning. See DODI 5000.02, *Operation of the Defense Acquisition System*, enc. 9, § 4(f) (Dec. 8, 2008). Similarly, although officials indicated that Air Force guidance regarding performance-based acquisition of services would not apply in the context of the Food Transformation Initiative, the guidance provides principles that we believe would be useful in the context of the initiative's objectives. See, for example, Air Force Instruction 63-124, *Performance-Based Services Acquisition* (Aug. 1, 2005).

defined metrics that are clearly linked to the objectives, the Air Force may not be in a position to adequately assess the results of the pilot program and make informed decisions about the initiative's future.

The Air Force Developed Eight Objectives for Its Food Transformation Initiative

The Air Force developed eight objectives for its Food Transformation Initiative, as shown in table 2.¹⁵ Some of the objectives focus on activities that expand food options for airmen and other personnel with access to the installation, while others focus on training, efficiencies, and costs. For example, part of one of the objectives is to open the main dining facilities to everyone on the installation and to allow airmen to use their meal cards at locations other than the main dining facility.

Table 2: Food Transformation Initiative Objectives

Objective	Description
1. Enhance food quality, variety, and availability	Improve the visual appearance and taste of menu items; offer healthy food; increase menu items; increase hours.
2. Maintain home base and war fighting feeding capabilities	Ensure that airmen receive experience and training in food service and are ready to deploy.
3. Focus on airmen's changing needs, lifestyles and preferences	Better align food service with the needs of the customers.
4. Enhance sense of community	Make the main dining facility a community food establishment, making airmen feel more a part of their community by allowing them to use their meal card privileges at food outlets other than the main dining facility.
5. Improve programs and facilities	Renovate dining facilities to the atmosphere that is similar to what is found on college campuses; bring additional food service availability to the installation by enhancing remote feeding capabilities.
6. Provide enhanced nutritious meals	Continue to provide nutritious food that meets DOD nutritional standards.
7. Improve efficiency	Improve food service delivery approaches to improve efficiency.
8. Decrease costs	Maintain or decrease the cost of operating the main dining facilities.

Source: GAO analysis of Air Force information.

¹⁵These objectives are not explicitly provided in the contract, but rather are contained in Air Force briefing materials and other documents.

The Air Force Has Not Fully Developed Metrics and an Evaluation Plan to Use in Assessing the Initiative's Results

Our initial review of the Air Force's documentation on the Food Transformation Initiative showed it had limited information on how it planned to measure implementation of the objectives and, ultimately, the results of the pilot program. We initially found that the Air Force had defined metrics for three of the initiative's eight objectives:¹⁶

- To measure progress on its first objective—enhancing food quality, variety, and availability—the Air Force plans to use its annual customer satisfaction survey and set a goal score of 70 out of 100 for the survey questions pertaining to hours of operation, food variety, food pricing, and the overall dining experience.¹⁷ However, the Air Force's annual customer satisfaction survey could be biased and therefore may not provide the data it needs to measure results for this objective because the response rate for recent surveys has been low. For example, although 58,805 active duty airmen responded to the survey, the response rate was about 17 percent. Further, the Air Force did not perform a nonresponse analysis to determine whether it is likely that those who did not respond to the survey would have provided substantively different answers from those who responded.
- To measure progress in meeting its seventh objective—improving efficiency—the Air Force plans to track and monitor Aramark's quarterly financial statements to identify whether the contractor was adhering to its original budget for labor costs. The Air Force defined this objective as improving food service delivery to improve efficiency in maintaining food, labor, and nonfood costs. However, based on the documentation we reviewed, it was not clear that a specific goal had been established for the various cost elements.
- For its eighth objective—decreasing costs—the Air Force plans to use information from the same sources to measure results as the information for its seventh objective, improving efficiency. Specifically, the Air Force plans to monitor Aramark's quarterly financial statements to track the operating expenses of the dining facilities. The Air Force currently defines the metric for this objective as maintaining or decreasing costs as compared to previous food service contracts.

¹⁶As with the Food Transformation Initiative objectives, these metrics were not clearly contained in the initial contract, but rather provided to us in written responses to our questions to Air Force officials.

¹⁷Survey respondents were asked to rank items on a scale of 1 to 10, with 1 considered poor and 10 considered excellent. These rankings were then converted to scores of 0 to 100.

However, initially the Air Force estimated that the Food Transformation Initiative would achieve a 30 percent cost savings when compared to existing food service contracts. Since that time, the Air Force has reduced that estimate to 27 percent. However, neither figure was being used as an actual metric for measuring results for this objective.

During the course of our review, we brought to the Air Force's attention the lack of defined metrics for all objectives and an evaluation plan for measuring progress in achieving the initiative's objectives. As a result, the Air Force developed four additional metrics for its objectives.

- To measure progress in meeting its second objective—maintaining home base and warfighting feeding capabilities—the Air Force plans to monitor the readiness of military food service personnel to deploy using DOD's readiness system. The goal is to achieve a readiness score of C-1, which means that these personnel have the required resources and are trained to undertake the full mission for which they are trained without any compensation for deficiencies.
- To measure progress in meeting its third objective—to focus on airmen's changing needs, lifestyles, and preferences—the Air Force plans to use its annual customer satisfaction survey. Specifically, the Air Force has defined goal scores for two specific survey sections: food and satisfaction. Under the food section of the survey, the Air Force has defined a goal score of 76 out of 100 for the part titled "type of food you want." Under the satisfaction section of the survey, the Air Force will use the score on how well the dining facility rates "compared to expectations" and has defined a goal score of 76. In addition, the Air Force will measure the number of available meals that meal card holders eat on the installation, with a goal of having meal card holders eat 70 percent of available meals.
- For its fifth objective—to improve programs and facilities—the Air Force will again use its annual customer satisfaction survey to measure results and has a goal score of 85 out of 100 on the facilities section of the survey.
- To measure progress in meeting its sixth objective—providing enhanced nutritious meals—the Air Force has defined a target score of 80 out of 100 on the "availability of healthy food choices" question in the customer satisfaction survey.

At the time we completed our review, the Air Force had not yet defined a metric for its fourth objective—to enhance a sense of community. The Air Force stated that it will use its annual customer satisfaction survey to

measure the effect of increased use of the dining facility on having a sense of community, but it had not defined goal scores in this area.

Most of the evidence we obtained on the Air Force's planned assessments of the initiative was in the form of written responses to our inquiries and a modification to a delivery order under the contract that laid out some specific goals the Air Force had developed for the contractor. The modification contains an incentive fee plan with key performance indicators that will be used to determine the availability of an incentive fee. Several of the key performance indicators may link to performance metrics for the objectives,¹⁸ but neither the contract itself nor the delivery order explicitly outlines the eight Food Transformation Initiative objectives or provides all performance metrics to measure those objectives. At the time of our review, Air Force officials stated that they did not have planning documents that lay out the metrics, data sources, or planned assessment schedules for the pilot program. They also told us that they recognized the need to further refine their metrics and develop an evaluation plan.

The Food Transformation Initiative Has Produced Some Food Service Improvements, but More Time Is Needed to Measure Results

Although the Air Force has made some improvements to its food service operations as a result of the Food Transformation Initiative, it is too early to measure the results of the initiative. The Air Force has obtained mostly positive feedback on the changes it has implemented, but the data collected to date are preliminary, and parts of the initiative have not been implemented. For example, implementation of a key part of the initiative, the campus dining concept, which will allow airmen to use their meal cards to eat at food service locations other than the main dining facility, has been delayed from January 2011 and had not been implemented at the time of our review. Furthermore, the data we reviewed on labor costs for the first 6 months of the Aramark contract indicated that the actual savings from the initiative may be less than the Air Force's initial 30 percent cost savings estimate. In its initial estimates of the costs of the initiative, it appears that the Air Force overestimated the number of hours

¹⁸For example, one of the key performance indicators would require a review of customer satisfaction scores in the categories of hours of operation, variety, pricing, and overall dining experience. The overall rating must exceed a customer satisfaction index of 75 and any one survey factor must not fall below a score of 70. Another key performance indicator would measure performance against the annual budget in reducing contractor nonfood costs per meal.

military personnel would be able to work in the dining facilities and underestimated the wages of contract employees. As a result, it is unclear whether the Air Force will successfully meet its objective of reducing costs as a result of the initiative.

The Air Force Has Made Improvements to Its Food Service Operations and Progress in Meeting Some Objectives of the Food Transformation Initiative

The Air Force has made improvements to its food service operations and cited progress in meeting five of its eight objectives for the Food Transformation Initiative at the six pilot installations. Specifically, officials stated that they have made significant improvements to the menus and increased the hours of operation, which has led to increased customer satisfaction. According to Air Force officials, these activities show progress in meeting three of the program's objectives: enhancing food quality, variety, and availability (objective 1); providing enhanced nutritious meals (objective 6); and focusing on airmen's changing needs, lifestyles, and preferences (objective 2).

To achieve its goals, Aramark added a pizza station, improved the salad bar, and enhanced the deli menu in the main dining halls. In addition, Aramark revitalized the menus, adding new recipes, such as chicken marsala and shrimp scampi, while keeping some traditional Air Force recipes that were popular among the airmen. According to the Air Force officials, more healthy cooking options are now available because the menu selections include more fresh vegetables. At each of the four bases we visited, Air Force officials stated that there has been increased customer satisfaction with the quality of the food.

Air Force officials also stated that increasing the hours of operation to make food service more available was an integral part of the objective to enhance food quality, variety, and availability. Under the Food Transformation Initiative, the six pilot installations have increased the hours of operation at their main dining facilities. The hours of operation increased to 112 hours per week at the main dining facilities at each base except Patrick Air Force Base, which does not have a requirement for a midnight meal period.¹⁹ Officials at several of the installations we visited noted that the customers were pleased with the expanded hours.

¹⁹The midnight meal is designed to provide food to airmen who work overnight shifts and cannot eat at normal designated meal times.

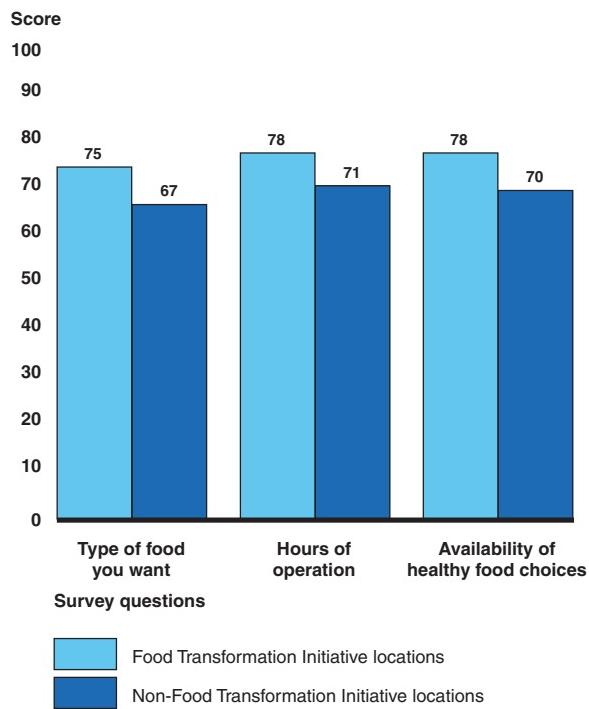
Table 3: Increase in Hours of Operation at the Main Dining Facilities

Air Force base	Number of weekly hours before the Food Transformation Initiative	Number of weekly hours after the Food Transformation Initiative	Increase in number of weekly hours	Percentage increase in weekly hours
Elmendorf	66.0	112.0	46.0	69.7%
Fairchild	58.5	112.0	53.5	91.5%
Little Rock	45.5	112.0	66.5	146.2%
MacDill	56.3	112.0	55.8	99.1%
Patrick	42.0	98.0	56.0	133.3%
Travis	63.0	112.0	49.0	77.8%

Source: GAO analysis of Air Force data.

The data the Air Force plans to use to measure its progress in meeting these three objectives are from its annual customer satisfaction survey. According to the most recent customer satisfaction survey, conducted from December 2010 to January 2011, survey respondents at the six pilot installations indicated higher levels of satisfaction than respondents at Air Force bases that had not implemented the Food Transformation Initiative in the areas of having the type of food they wanted, hours of operation, and availability of healthy food choices (see fig. 1). The respondents indicated higher levels of satisfaction at the six pilot locations, but the survey goals of 76 out of 100 for “type of food you want” and 80 out of 100 for “availability of healthy food choices” were not met. The goal of 70 out of 100 for “hours of operation” was achieved. Air Force officials note they used this survey, as well as additional information gathered from the private sector, to help define goal scores and will reevaluate their goals each year of the program. However, as noted previously, due to the low response rate, these survey data may not be reliable enough for comparison purposes.

Figure 1: Comparison of Customer Satisfaction Survey Results for Pilot Bases to All Air Force Bases, 2010



Note: Survey respondents were asked to rank items on a scale of 1 to 10, with 1 considered poor and 10 considered excellent. These rankings were then converted to scores of 0 to 100. Due to the low response rate, these survey data may not be reliable enough for comparison purposes.

Air Force officials stated that, while there is still work to be done, they have started to transform the dining facilities to create an atmosphere similar to what is found on college and university campuses, which is an important part of objective 5—improve programs and facilities. Although major renovations of the main dining facilities have not begun, Aramark has made some changes, such as enhancing food displays and improving the appearance of dining facility entryways. The photographs in figures 2 and 3 illustrate improvements made to the entryway and the salad bar at MacDill Air Force Base.

Figure 2: Entryway at Dining Facility, MacDill Air Force Base, Florida, before and after Initiative



Source: Air Force.

Figure 3: Salad Bar at MacDill Air Force Base, Florida, before and after Implementation of the Food Transformation Initiative



Source: Air Force.

The Air Force plans to spend almost \$9 million in renovations to the main dining facilities at the six pilot installations. Air Force officials stated that they expect the renovations to begin in June or July 2011. Plans for renovating the dining facilities include expanding the cashier area to allow for more cashiers during peak periods, removing walls to open up the food service area and create a more efficient customer flow, adding more seating capacity, and making general cosmetic upgrades. Table 4 lists the projected costs of renovations at each of the six pilot installations.

Table 4: Projected Cost of Dining Facility Renovations at Six Pilot Installations

Air Force base	Cost (dollars)
Elmendorf	\$1,238,439
Fairchild	2,176,729
Little Rock	865,029
MacDill	1,610,745
Patrick	1,402,358
Travis	1,696,545
Total	\$8,989,845

Source: Air Force.

Another objective in which Air Force officials said they have made some progress is objective 4—enhancing a sense of community. They told us an essential part of this objective is to open the dining facilities to everyone on the base. Prior to the initiative, five of the six pilot installations allowed only active duty enlisted personnel to dine at the main dining facilities. Installation officials noted that opening the main dining facilities up to everyone who has access to the installation has had a very positive effect, improving the sense of community.

Table 5 shows a comparison of the number of meals purchased at the pilot installations for the first 6 months after implementing the initiative (October 2010 to March 2011) to the same 6-month period the previous year. Over 250,000 more meals were purchased in the main dining facilities after the initiative was implemented. Over 187,000 of those meals reflected an increase in the number of cash paying customers.

Table 5: Change in the Number and Percentage of Meals Purchased at the Main Dining Facilities

Base	Total meals purchased, October 2009 through March 2010		Total meals purchased, October 2010 through March 2011		Increase (decrease) in total meals purchased			
	Meals purchased by meal card customers	Meals purchased by cash customers	Meals purchased by meal card customers	Meals purchased by cash customers	Meals purchased by meal card customers		Meals purchased by cash customers	
					Number	Percentage	Number	Percentage
Elmendorf	94,979	38,511	98,941	64,715	3,962	4	26,204	68
Fairchild	85,716	54,998	86,549	76,602	833	1	21,604	39
Little Rock	68,914	38,546	111,991	46,853	43,077	63	8,307	22
MacDill	38,073	58,494	42,814	111,576	4,741	12	53,082	91
Patrick	23,012	33,776	17,614	95,612	(5,398)	(23)	61,836	183
Travis	132,659	46,455	150,106	62,981	17,447	13	16,526	36
Total	443,353	270,780	508,015	458,339	64,662	15	187,559	69

Source: GAO analysis of Air Force data.

Meal card holders have always been able to use the main dining facilities, but Air Force officials said they believe the increase in usage is a further indication of the effect of the increased hours of availability and improved food choices. The number of airmen choosing to use their meal card benefits at the main dining facility after implementation of the initiative increased at five of the installations, including Little Rock Air Force Base, where customers using meal cards increased by more than 60 percent.

Air Force officials attributed part of the increase to an increase in the number of airmen at the installation during this period, but also to the expanded menus and increased hours that resulted from the initiative. Only Patrick Air Force Base had a decrease in the number of meal card customers served. Air Force officials attributed this change to a decrease in the number of airmen at the installation during this period. The Air Force had not fully developed a metric for measuring progress in meeting this objective and had not implemented all changes related to this objective, but Air Force officials stated that, based on the increased usage of the dining facilities, they believe some progress has been made.

Additional Time Is Needed to Measure the Results of the Food Transformation Initiative

Although the Air Force reported improvements to its food service program, it is too early to measure the results of the Food Transformation Initiative, even at the pilot installations. According to service officials, data on the impact of changes made to date are preliminary and may not predict future results. For example, Air Force and base officials stated that some of the increases in the number of customers may be due to a “honeymoon phase” in which customers visit the main dining facility because it is new or different. Thus, there may be some decrease in the number of customers as the newness of the changes in the dining facilities wear off. Installation officials also told us that increased satisfaction with the food selection and hours of operation may also decrease over time. Customers have expressed some dissatisfaction already, primarily with the increase in prices for cash-paying customers. As part of the Food Transformation Initiative, the Air Force raised the prices paid by cash customers at the main dining facilities by increasing the surcharge paid on the cost of food to 90 percent.²⁰ Previously, cash customers paid the cost of food plus a 60 percent surcharge. According to Air Force officials, this price increase helps offset the cost of the contract. Officials at the four installations we visited noted that cash-paying customers expressed some dissatisfaction with the price increases. According to the Air Force’s recent customer satisfaction survey, the six pilot installations scored lower on satisfaction with the price of food at the main dining facilities compared to other Air Force installations. Air Force officials said that they have adjusted some prices in response to the

²⁰The contract statement of work lists two categories of patrons for the main dining facilities: essential station messing customers, to be fully reimbursed by the government as part of the delivery order and all other eligible patrons, considered “cash customers.”

A Key Part of the Initiative—the Campus Dining Concept—Has Not Been Implemented

negative comments, especially for the salad bar, and will continue to make necessary adjustments as they obtain more customer feedback.

At the time of our review, the campus dining concept, in which airmen will be able to use their meal cards to eat at dining facilities on the base other than the main dining facility, had not been implemented at any of the six pilot bases. The Air Force originally expected this part of the initiative to be implemented in January 2011. This was later changed to April 2011 and then to June and July 2011. Air Force officials told us they expected to implement campus dining at Patrick Air Force Base in June 2011 and at the remaining five pilot bases in July 2011.

Implementation of the campus dining concept was delayed for several reasons, according to Air Force officials, including the need to develop a policy on how the campus dining concept will work—such as what purchases will be allowed for those using meal cards at facilities other than the main dining facilities—and delays in developing the software needed to track all meal card purchases. Air Force officials told us they only recently acquired the software needed to track meal card purchases and were beginning to test it. In addition, they upgraded the hardware, if necessary, for the main dining facilities and bought additional hardware to support campus dining at some of the nonappropriated fund food and beverage operations. When operational, this software will allow the Air Force to determine how often and where airmen use their meal cards. In addition, Air Force officials told us that they recently completed negotiations with Aramark on the menu options that will be available for airmen to purchase with their meal cards at the nonappropriated fund food and beverage operations.

Officials at Elmendorf Air Force Base raised additional concerns about the campus dining concept because the installation is a joint base with the Army's Fort Richardson. At the time of our review, soldiers stationed at Fort Richardson were allowed to use their meal card privileges at the main dining facility at Elmendorf Air Force Base. Installation officials said they would like that privilege to be extended to the nonappropriated fund food and beverage operations under the campus dining concept and did not want to implement campus dining until this issue had been resolved. Air Force officials told us that, initially, campus dining was going to be restricted to Air Force personnel stationed at Elmendorf Air Force Base.

The campus dining concept is an important part of the Food Transformation Initiative and of meeting the Air Force's fourth objective—to enhance the sense of community—by allowing airmen to use more of

the base community when eating their daily meals. The Air Force recently addressed the issues that led to the delay of the campus dining concept, but it had not fully implemented this part of the initiative at the time of our review. Therefore, the Air Force cannot assess the concept or make necessary adjustments to this key part of the initiative.

Initial Labor Cost Information Indicates Savings May Be Less Than Estimated

It is too early to determine cost savings resulting from the Food Transformation Initiative, but initial information on labor costs indicates that actual savings may be less than the 30 percent cost savings originally estimated by the Air Force. The Air Force underestimated contract labor costs because it overestimated the number of military labor hours it could provide to the contractor for cooks and food preparers. Specifically, the Air Force estimated that military personnel would be able to provide approximately 32,000 hours per month of labor in the dining facilities at the six pilot installations. However, the military personnel for whom these estimates were provided have not been able to provide the projected number of hours to the contractor because of other duties. As a result, Aramark has hired additional contract staff to make up some of the difference, which could increase contract labor costs.

We found that, for the first 6 months of the contract, the number of military labor hours was about 14,000 hours less than originally estimated for the six pilot installations. At Elmendorf Air Force Base, labor costs were projected to increase by \$105,000 for the remainder of the fiscal year as a result of fewer military personnel being available. Air Force officials told us they plan to hold Aramark to its original budget, but they indicated that, in certain situations, after Aramark provides adequate documentation, the Air Force will pay the higher labor costs.

The Air Force also underestimated the subcontractor labor costs to be incurred by Aramark. For example, we found that, for the first quarter of fiscal year 2011, Aramark submitted requests for reimbursement for subcontractor labor costs that were about \$400,000 more than those originally estimated by the Air Force. For the second quarter of fiscal year 2011, subcontractor labor costs submitted for reimbursement were about \$600,000 more than originally estimated. According to the Air Force, these costs may be the result of a pay raise resulting from an annual wage determination that was unaccounted for in the original budget and not under the control of Aramark. Air Force officials told us that they have requested supporting documentation for the higher labor costs but have not paid this amount to Aramark. However, the officials indicated that,

with adequate support from the subcontractor, the Air Force would pay the higher labor costs.

Implementation of the Food Transformation Initiative Has Had Varying Effects on Food Service Workers

Preliminary results indicate that the Food Transformation Initiative has had varying effects on the three categories of food service workers at the six pilot bases: (1) appropriated fund civilian and military cooks in the main dining halls, (2) contract mess attendant workers in the main dining halls, and (3) nonappropriated fund civilian employees who work in the nonappropriated fund food and beverage operations. All civilian employees and military cooks who worked in the main dining halls retained their jobs,²¹ but some employees expressed concern to us and their union representatives that their job responsibilities under the initiative have increased. Although most contract mess attendants retained their jobs, the total number of contract mess attendant employees was reduced and some employees lost their jobs as a result of the Food Transformation Initiative. Finally, most civilian employees at the nonappropriated fund food and beverage operations accepted employment with Aramark, but their job security remains uncertain because if these operations do not become more profitable, they may close.

Civilian and Military Cooks Retained Their Jobs, but Their Responsibilities Increased

All appropriated fund civilian employees and military food service workers at the main dining halls retained their jobs, but some employees expressed concern that they had taken on increased responsibilities as a result of the initiative. At the six pilot bases, 202 military and 20 civilian employees worked in the main dining facilities prior to the implementation of the Food Transformation Initiative. These workers were not affected by the Food Transformation Initiative contract; they continue to be employed directly by the Air Force. According to Air Force officials, the workers' primary responsibilities are cooking and serving food.

During our visits to four of the pilot installations, we spoke with small groups of civilian and military food service workers and individual workers

²¹During the course of the bid protest on the Food Transformation Initiative, the Air Force amended the solicitation to provide that appropriated fund wage grade employees would not be "displaced, reassigned, subjected to reduction in force, or otherwise adversely affected by the implementation of FTI phase I." See *John P. Santry—Designated Employee Agent*, B-402827, Aug. 2, 2010, 2010 CPD ¶ 177 at 5 (citing Letter to Offerors, June 30, 2010, ¶1.a).

who were available at the time of our visit and agreed to speak with us. In addition, we interviewed civilian union representatives about implementation of the initiative at the four installations we visited. They raised some concerns about the increased workloads of these workers and noted that, prior to the Food Transformation Initiative, contract workers performed some of the food preparation work, such as chopping vegetables and replenishing the salad bar. Since implementation of the initiative, this work has now become part of the civilian and military cooks' job responsibilities. In addition, because the new menus rely on an increased amount of fresh ingredients, there has been an increase in the amount of food preparation they must perform. While these tasks were new to the civilian and military cooks, according to Air Force officials, they should have been performing these tasks prior to implementation of the initiative. Contract workers were less affected by these changes because, according to Air Force officials, over time, they had taken on additional duties that might not have been in their original job descriptions. Air Force officials also told us the initiative helped clarify the required responsibilities of the civilian and military cooks and those of the contract employees.

In addition, some military food service workers at the installations we visited told us that, because of the extended hours and increase in number of meals served, there is no down time and they are no longer getting to take their lunch time or other breaks. They also said they are now expected to do physical training and other required training on their own time rather than during work hours as was the case prior to the initiative. Some of the military cooks to whom we spoke said they are putting in 12- or 13-hour days to keep up with the increased workload. They also told us they are feeding many more people than prior to implementation of the initiative, but they have the same number of people cooking. Aramark officials stated that they are continuing to determine the appropriate size of dining facility operations, including the number of required labor hours, and will make adjustments as more information is gathered.

Most Contract Mess Attendant Workers Were Retained under the Initiative, but Some Workers Lost Their Jobs

Most contract mess attendant workers in the main dining facilities at the six pilot installations retained their jobs after implementation of the Food Transformation Initiative. However, some contract mess attendant workers—Ability One workers²² and small business employees—lost their jobs as a result of the initiative, and others' work hours were reduced. Prior to the initiative, five of the six pilot installations used Ability One providers for their mess attendant contracts and the other installation contracted with a small business to provide mess attendants for its dining halls. According to Air Force officials, after implementation of the initiative, Aramark hired some Ability One workers to provide mess attendant services at the sixth installation in place of the small business employees.

Following implementation of the initiative, the five installations continued to use Ability One workers as mess attendants through subcontracts between Aramark and Ability One providers. However, although many of the Ability One workers retained their jobs, the total number of workers was reduced at four of the five installations. According to Air Force officials, the five pilot installations that initially employed Ability One workers had 273 of these workers prior to the initiative. As of March 2011, the number of Ability One workers at these five installations decreased to 233 (see table 6). According to Air Force officials, 72 Ability One workers initially lost their jobs as a result of the Food Transformation Initiative. However, they noted that, after the initial layoffs, 32 new Ability One workers were hired at the five bases as Aramark adjusted staffing levels at the main dining facilities. The officials could not tell us, however, whether any of the 32 new Ability One workers hired were among the 72 workers who initially lost their positions after implementation of the initiative.

Table 6: Number of Ability One Workers before and after the Food Transformation Initiative

Air Force base	Number of Ability One workers as of October 1, 2010	Number of Ability One workers terminated as a result of the Food Transformation Initiative	Number of new Ability One workers hired from October 2010 to March 31, 2011	Number of Ability One workers as of March 31, 2011
Elmendorf	47	21	0	26
Little Rock	63	26	1	38

²²We use the term Ability One workers to refer to employees participating in the Ability One program through employment by a nonprofit agency for the blind or a nonprofit agency for employing persons with severe disabilities.

Air Force base	Number of Ability One workers as of October 1, 2010	Number of Ability One workers terminated as a result of the Food Transformation Initiative	Number of new Ability One workers hired from October 2010 to March 31, 2011	Number of Ability One workers as of March 31, 2011
MacDill	49	2	10	57
Patrick	47	6	16	57
Travis	67	17	5	55
Total	273	72	32	233

Source: GAO analysis of Air Force data.

In addition, a representative from NISH, one of the central nonprofit agencies that facilitates the Ability One program, reported that the work hours of many of those who retained their jobs were reduced. Aramark officials noted that the hours of many contract employees were reduced as the company worked to achieve the staffing levels it deemed appropriate as it gained experience under the new contract.

Prior to the initiative, one of the pilot installations, Fairchild Air Force Base, contracted with a small business to provide services at its main dining facility. According to officials, because the Air Force requires that installations under the Food Transformation Initiative obtain mess attendant services for their main dining facilities through contracts with Ability One, as of March 1, 2010, Ability One took over the mess attendant services contract at Fairchild Air Force Base. According to Air Force officials and Aramark officials, prior to implementation of the Food Transformation Initiative, 41 workers employed by the small business contractor worked in the installation's main dining facility. As a result of the initiative, 17 of these workers lost their jobs. According to Aramark officials, the remaining 24 workers will be retained until September 30, 2011, to provide services such as cashiering and cooking and they will maintain the contract with the small business contractor until that time. Subsequently, Aramark may attempt to directly hire some of these workers as cashiers since, according to Air Force officials, the Air Force does not require Aramark to contract with Ability One for cashier services.

Most Former Nonappropriated Fund Food and Beverage Operation Workers Accepted Jobs with Aramark

Most of the civilian employees at the former nonappropriated fund food and beverage operations at the six pilot installations accepted jobs with Aramark. However, the future of these facilities is uncertain, and therefore the job security of these workers is uncertain. Prior to implementation of the initiative, a combination of regular and flexible civilian food operation workers were employed at the nonappropriated fund food and beverage operations at each of the six pilot installations: 117 regular and 183 flexible workers.²³ As shown in table 7, most of these workers accepted jobs with Aramark. According to Air Force officials, most of these workers now receive higher pay and are eligible for increased benefits through their employment with Aramark. For example, flexible workers who did not receive any benefits while employed by the nonappropriated fund instrumentality are now eligible for benefits. However, according to Air Force officials, both regular and flexible workers employed by Aramark may opt to receive an additional \$3.50 more per hour in lieu of benefits, and 187 workers accepted the higher pay rather than receiving benefits.

Table 7: Number of Former Nonappropriated Fund Food and Beverage Operation Employees Who Accepted Positions with Aramark

Air Force base	Type of employee	Number of former employees	Number who accepted position with Aramark
Elmendorf	Regular	13	9
	Flexible	14	6
Fairchild	Regular	2	1
	Flexible	17	11
Little Rock	Regular	11	8
	Flexible	27	18
MacDill	Regular	26	23
	Flexible	47	31

²³According to Air Force Manual 34-310, *Nonappropriated Fund Personnel Management and Administration Procedures* (Jan. 19, 2011), regular employees are guaranteed a minimum of 20 hours to a maximum of 40 hours of work per week, and they receive benefits. Flexible employees have work schedules that depend on the needs of the activity. These employees may work a minimum of zero hours to a maximum of 40 hours per week, but do not receive benefits. The version of the Manual in existence prior to January 2011 contained the same information regarding the two employment categories. See Air Force Manual 34-310, *Nonappropriated Fund Personnel Program Management and Administration Procedures* § 1.7 (Dec. 1, 1995) (obsolete).

Air Force base	Type of employee	Number of former employees	Number who accepted position with Aramark
Patrick	Regular	34	32
	Flexible	42	31
Travis	Regular	31	27
	Flexible	36	27
Total	Regular	117	100
	Flexible	183	124

Source: Air Force.

Regular workers who had worked at the nonappropriated fund food and beverage operations for at least 1 year of continuous service were generally eligible for severance pay; flexible workers were not. According to Air Force officials, a regular worker could accept employment with Aramark and also receive severance pay. According to documents provided by the Air Force, of the 300 former nonappropriated fund food operation employees, severance payments were authorized and paid to 102 workers at the six pilot installations for a total of over \$750,000.

In some cases, regular workers with the nonappropriated fund food and beverage operations were earning credit towards federal nonappropriated fund retirement benefits. Under employment with Aramark, these workers will not have access to the same retirement system. However, not all former nonappropriated fund food and beverage operation workers were enrolled in the nonappropriated fund retirement system. According to Air Force officials, enrollment in the retirement system is not automatic and many workers opt not to enroll because of the additional deduction from their paychecks. However, officials further stated that workers who had enrolled in the system and then took jobs with Aramark could either defer their retirement benefits or have their contributions returned to them, depending on their age and length of service. Table 8 shows the number of workers at the six pilot installations' nonappropriated fund food and beverage operations who were identified as eligible for and were enrolled in the nonappropriated fund retirement system prior to implementation of the initiative.

Table 8: Employees Eligible for and Enrolled in the Nonappropriated Fund Retirement System

Air Force base	Number of eligible employees	Number enrolled in retirement system
Elmendorf	13	5
Fairchild	2	0
Little Rock	11	1
MacDill	26	23
Patrick	35	24
Travis	31	25
Total	118	78

Source: GAO analysis of Air Force data.

Note: Eligibility was identified by the Air Force.

Air Force officials also stated that, because many of the nonappropriated fund food and beverage operations were losing money, the Air Force may not have been able to keep some of them open and running. For example, in 2007, 14 employees from nonappropriated fund food and beverage operations at Elmendorf Air Force Base were laid off because the operations were losing money. According to Air Force officials, if the Food Transformation Initiative had not been implemented at the six pilot installations, more workers might have lost their jobs. Aramark officials stated that they were making changes to these operations and hope to increase efficiencies; however, they expressed concern about keeping all of the facilities open in the future. Employees with whom we spoke at the installations also expressed concern about the possibility of losing their jobs in the future.

The Air Force's Food Transformation Analysis of Alternatives Was Limited, and Other Options for Achieving Cost Savings May Be Available

The analysis the Air Force conducted for selecting its Food Transformation Initiative model was very limited in the options it considered. The Air Force included three options in its business case analysis, but did not follow its own guidance for identifying and assessing alternatives that would meet the program's stated objectives. In preparing its business case analysis, the Air Force considered alternatives that were not feasible ways of satisfying its objectives and did not consider other alternatives that may have been feasible options. The Air Force officials who prepared the analysis stated that they were unaware of the guidance and that, due to the limited time they had to conduct the analysis, they did not explore additional alternatives when it became apparent that two of the options under consideration were not feasible.

ways of satisfying the objectives. Moreover, the Air Force may have opportunities for reducing costs at all of its installations using methods it did not consider as part of its business case analysis for the pilot program.

Some Alternatives the Air Force Considered Were Not Viable, and It Did Not Consider All Alternatives

Air Force guidance on business case analysis procedures calls for the inclusion of feasible alternatives to satisfy the objectives and suggests that all feasible alternatives should be considered. Where an alternative was considered but dismissed as infeasible, the guidance directs a discussion of the reasons for considering it infeasible.²⁴ Further, best practices for preparing business case analyses, such as those described in the *GAO Cost Estimating and Assessment Guide*,²⁵ state that all meaningful alternatives should be presented and analyzed in a consistent manner. However, the Air Force considered, and included in its business case analysis, alternatives that were not feasible methods of satisfying the objectives and did not consider other alternatives that were feasible.

The Air Force Services Agency prepared and presented a business case analysis in October 2008 with three alternatives to the Air Force Smart Operations for the 21st Century²⁶ office, which provided start-up funding for the Food Transformation Initiative. However, two of the alternatives considered were not viable options because they did not satisfy all eight objectives of the program.

The first alternative presented was to close four dining facilities at selected Air Force installations and put all eligible airmen stationed at these installations on basic allowance for subsistence.²⁷ According to the business case analysis, this option would potentially save money by reducing facility and contract costs, even with the additional expense of providing basic allowance for subsistence funds to airmen. Our review of this option found that it was not viable because it would meet only three of

²⁴Air Force Manual 65-510, *Business Case Analysis Procedures* (Sept. 22, 2008).

²⁵GAO-09-3SP.

²⁶The Air Force Smart Operations for the 21st Century program began in 2006. Its goal was to integrate improvement and efficiencies into Air Force programs.

²⁷Basic allowance for subsistence is a payment designed to defray the costs of an eligible servicemember's meals.

the Air Force's eight objectives for improving food service: maintaining home station and warfighting feeding capability, improving program efficiency, and reducing costs. This option would not have satisfied the remaining five objectives: enhancing food quality, focusing on airmen's changing needs, enhancing sense of community, improving programs and facilities, and providing enhanced nutritious meals.

The second alternative presented in the business case analysis was to close the four dining facilities presented in the first option, centralize the dining facility contracts at the other installations, and replace the food service contract workers with nonappropriated fund employees. Also, the Air Force would develop "hybrid" food venues where airmen could use their meal cards to eat at locations other than the main dining facilities. This option would save the same facility and contract costs as the first option and further reduce contract costs by eliminating the food service contracts at the bases and having the Air Force operate the dining facilities. The Air Force estimated that this option would have a 43 percent return on investment. The Air Force has operated some of its main dining facilities using nonappropriated fund employees at other bases, including Seymour Johnson Air Force Base in North Carolina. However, similar to the first alternative, we found that this option also was not viable in that it would meet only three of the eight objectives: maintaining home station and warfighting feeding capability, improving program efficiency, and reducing costs. Further, this option could be inconsistent with a DOD policy providing that nonappropriated fund instrumentalities shall not enter into contracts or agreements with DOD elements for the provision of goods and services that will result in the loss of jobs created under Ability One, Randolph-Sheppard, or small business

programs.²⁸ However, Air Force officials stated that they may have been able to obtain a waiver of this policy if this option had been selected.²⁹

The third alternative considered was to close the four dining facilities and develop hybrid dining facilities to be managed by a third-party food service contractor. This option was basically the same as option two, but with a food service contractor taking over the facilities rather than having them being run directly by personnel from the nonappropriated fund instrumentality. The Air Force found that this option would save the most money with a 108 percent return on investment and would also meet all of its eight objectives. Therefore, this is the option that was chosen.

In developing the business case analysis, Air Force officials told us they had discussed at least one other potential alternative, but they dismissed the idea as too difficult and did not include it in the business case analysis. This option was to form a large nonappropriated fund instrumentality, similar to the Army Air Force Exchange Service, to run food service facilities at Air Force bases.

Air Force officials also told us that they would have included more alternatives in the business case analysis, but they did not have enough time. Due to the time constraints imposed by the Air Force Smart Operations for the 21st Century office on the Air Force Services agency, they had a very limited time—approximately 2 to 3 weeks—to complete the analysis. Because one of the purposes of a business case analysis is to provide financial justification for an investment decision, it is important to follow guidance and best practices in its preparation. However, even

²⁸See Memorandum from the Under Secretary of Defense for Personnel and Readiness, Limitations on the Use of Contracts and Other Agreements with DOD Nonappropriated Fund Instrumentalities (NAFIs) Pursuant to 10 U.S.C. 2492 (Dec. 29, 2004). Section 2492 of Title 10 of the United States Code provides authority for DOD nonappropriated fund instrumentalities to enter into contracts or other agreements with other DOD elements in certain circumstances.

²⁹The Air Force ultimately requested and received approval for a waiver to this policy to implement the Food Transformation Initiative by using a nonappropriated fund instrumentality memorandum of agreement to provide the installation appropriated fund food service mission. See Memorandum from the Under Secretary of Defense for Personnel and Readiness, Request for Waiver to OSD Policy (Aug. 4, 2010). The waiver approval recognized efforts of the Air Force to partner with Ability One, use an acquisition strategy requiring right of first refusal for qualified small business and nonappropriated fund employees as applicable, and omit from the initiative installations with existing Randolph-Sheppard Act dining facility contracts. See *id.*

though the Air Force has specific guidance on how to prepare a business case analysis, Air Force officials told us that they were unaware of this guidance as it was not included in the specific instructions from the Air Force Smart Operations for the 21st Century program.

The Air Force May Have Other Options for Meeting Its Objective to Reduce Costs throughout Its Food Service System

Using lessons learned from the implementation of the Food Transformation Initiative, the Air Force may have additional opportunities to meet its objective to reduce costs throughout its food service system. To determine the impact of the initiative on labor requirements and costs, we compared the estimated amount of food service labor for which the Air Force contracted at the six pilot installations prior to the initiative to the amount for which Aramark planned to contract under the initiative. We found that, even with expanded hours of operation and anticipated increases in the number of meals served, Aramark significantly reduced the number of hours for contract mess attendant labor it needed at the pilot installations.

According to Air Force and Aramark officials, most of the cost savings under the Food Transformation Initiative resulted from reducing labor hours at the main dining facilities.³⁰ Prior to the initiative, the food service contracts at all six pilot installations were fixed-price contracts, according to Air Force officials, including for labor costs.³¹ Officials added that, prior to implementation of the initiative, the Air Force did not actually know or closely monitor the number of labor hours required to provide food services. However, we obtained documentation from the installations, including memoranda showing how the prices were negotiated and contractor price proposals that estimated the number of labor hours for these contracts. Although these documents do not contain the precise number of labor hours for the main dining facilities, they provided the best estimates of labor costs available. We compared the estimated labor hours for these prior food service contracts to those presented in the contractor's projected work schedules for the Food Transformation Initiative contract and found that the total number of labor hours at five of

³⁰Air Force officials told us that additional savings under the Food Transformation Initiative come from optimizing the use of military personnel in the main dining facilities.

³¹Generally, under a firm fixed-price contract, the installation pays the fixed price even if the actual total cost of the product or service—that is, the contractor's cost experience in performing the contract—falls short of or exceeds the contract price. See 48 C.F.R. § 16.202-1.

the six pilot installations had been reduced by 53 percent. For example, at Travis Air Force Base, the number of labor hours for the mess attendant contract had been reduced by more than half—from approximately 2,042 hours per week to 920 hours per week. At Elmendorf Air Force Base, labor hours had been reduced from approximately 1,350 hours per week to 588 hours per week.³² Table 9 shows the change in the number of labor hours at all six pilot installations.

Table 9: Comparison of Labor Hours under Previous Contract to Labor Hours under the Food Transformation Initiative Contract

Air Force base	Estimated weekly labor hours under the previous contract	Estimated weekly labor hours under the new contract
Elmendorf	1,350	588
Fairchild	979	476
Little Rock	1,548	303
MacDill	1,201	1,063
Patrick	1,218	1,349
Travis	2,042	920
Total	8,338	4,699

Source: GAO analysis of Air Force data.

Patrick Air Force Base was the only pilot base where the labor hours were not reduced and the only one of the pilot installations where the previous food service contract had recently been audited. The results of that audit, conducted by the Air Force Audit Agency in 2009, showed that the food service personnel did not align the contract workload estimates with actual meals served. Specifically, meal counts were overstated, resulting in the installation paying more for contracted food services than necessary. As a result of this audit, in October 2009, Patrick Air Force Base renegotiated its workload estimates and pay rates, resulting in savings of approximately \$77,000 annually.

The Air Force may have opportunities to reduce its food service costs at Air Force installations that are not part of the Food Transformation Initiative pilot by reviewing and, where and when feasible, renegotiating its current food service contracts to adjust the labor costs. Air Force

³²The labor hours presented here do not include any additional labor hours that might be needed because of a lack of available military personnel.

officials told us that they did not previously consider this option because they did not realize how poorly their food service contracts were structured. Although renegotiating the existing food service contracts would not meet all of the objectives of the Food Transformation Initiative, given the large number of food service contracts within the Air Force, and the length of time it may take to implement the Food Transformation Initiative at all remaining Air Force installations in the United States, the Air Force may be able to achieve significant savings prior to expanding the initiative. Throughout our site visits, at which Air Force officials accompanied us, we discussed this potential opportunity for savings. As a result, the Air Force recently issued a memorandum to the Major Commands directing a review of existing food service contracts to determine if the contracts meet current mission needs. For example, the memorandum indicates that special attention must be given to whether the food service contract workload estimates were properly aligned with the actual number of meals served. We believe that this is a good first step towards addressing this issue, but it is important for the Air Force to continue to monitor this process and continue to take actions in this area, where appropriate.

Conclusions

The Air Force is in the process of developing an approach for assessing the results of the Food Transformation Initiative, but has not yet developed well-defined metrics that are clearly linked to the objectives of the initiative and adequately described in an evaluation plan to assess the results of the initiative at the pilot installations and make informed decisions about the initiative's future. Because the Air Force had not yet implemented the campus dining concept at the six installations in the pilot at the time of our review, it did not have the information available to assess the results of this key part of the initiative to make any adjustments that may be needed before expanding the initiative to other Air Force installations. In addition, until the Air Force reevaluates the actual number of hours its military personnel can provide the contractor, the cost savings generated by the initiative will not be clear. Finally, by reviewing the actual labor costs of its current contracts at Air Force installations that are not part of the pilot, the Air Force may have opportunities to reduce its food service costs prior to expanding the Food Transformation Initiative.

Recommendations for Executive Action

Before implementing the Food Transformation Initiative at other Air Force installations, we recommend that the Secretary of the Air Force direct the Air Force Services Agency to take the following three actions:

- Develop an evaluation plan to accurately and reliably assess the results of the pilot phase of the Food Transformation Initiative. This evaluation plan should include, at a minimum, well-defined, clear, and measurable metrics to use in determining the results of the initiative and time frames for collecting data and reporting results.
- Evaluate the results of the implementation of the campus dining concept at the six pilot locations to determine if adjustments are needed before expanding the initiative to additional installations.
- Reevaluate the number of military personnel hours the Air Force can provide the contractor for food service, make adjustments where possible in projected labor hours, and take into account the increased labor costs in revising the cost savings estimates for the future.

We further recommend that the Secretary of the Air Force monitor the actions taken by the Air Force Major Commands in response to the recent direction to review food service contracts, and take actions, as appropriate, to ensure that cost savings measures are implemented.

Agency Comments and Our Evaluation

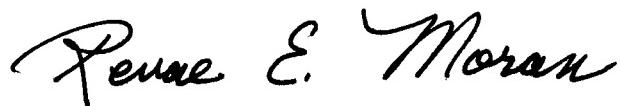
In written comments on a draft of this report, DOD stated that it concurred with all of our recommendations and that the Air Force is already taking steps to implement them. For example, DOD has taken action to implement our recommendation that the Secretary of the Air Force monitor the actions taken by the Air Force Major Commands to review food service contracts, and take actions, as appropriate, to ensure that cost savings measures are implemented. In its response, DOD stated that each Air Force Major Command has tasked its bases to conduct a 100 percent review of existing food service contracts to determine if their current contracts require modification to meet current mission needs. DOD further noted that it intends to share the results of the Air Force's review of its food service labor costs to achieve cost savings with the other services. DOD's comments are printed in their entirety in appendix II.

DOD also commented on our discussion of the response rate for the Air Force's recent customer satisfaction survey. In our report, we stated that the low response rate (17 percent of active duty airmen) for the Air Force's annual customer satisfaction survey could bias the data it uses to measure the results of the Food Transformation Initiative. DOD stated

that, according to the contractor who conducted the survey, the response rate achieved in the Air Force's customer satisfaction survey met and, in most cases, exceeded the response rate that is usually achieved for these types of surveys. However, we continue to believe that this response rate decreases the likelihood that the survey results are representative of the views and characteristics of the population. According to the Office of Management and Budget's standards for statistical surveys, a nonresponse analysis is recommended for surveys with response rates lower than 80 percent to determine whether the responses are representative of the surveyed population. Conducting a nonresponse analysis would allow the Air Force to more confidently rely on the survey results in assessing the results of the initiative.

We are sending copies of this report to appropriate congressional committees, the Secretary of Defense, and the Secretary of the Air Force. The report is also available at no charge on the GAO website at <http://www.gao.gov>.

If you or your staff have any questions regarding this report, please contact me at (202) 512-3863 or moranr@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix III.



Revae Moran
Director, Defense Capabilities and Management

List of Committees

The Honorable Carl Levin
Chairman
The Honorable John McCain
Ranking Member
Committee on Armed Services
United States Senate

The Honorable Daniel Inouye
Chairman
The Honorable Thad Cochran
Ranking Member
Subcommittee on Defense
Committee on Appropriations
United States Senate

The Honorable Howard P. McKeon
Chairman
The Honorable Adam Smith
Ranking Member
Committee on Armed Services
House of Representatives

The Honorable C.W. Bill Young
Chairman
The Honorable Norman D. Dicks
Ranking Member
Subcommittee on Defense
Committee on Appropriations
House of Representatives

Appendix I: Scope and Methodology

To assess the Food Transformation Initiative's objectives and performance measures, we reviewed pertinent documentation and interviewed Air Force headquarters and Air Force Services Agency officials about the initiative's background, goals, and how the results of the initiative would be determined. We also reviewed Department of Defense (DOD) and Air Force guidance, as well as criteria from our previous work, for developing metrics and plans for assessing the results of programs such as the initiative. We compared principles we derived from this guidance and criteria with the Air Force's metrics and assessment plans for the initiative and where there were differences we discussed the reasons why with Air Force officials.

To review the Air Force's progress in meeting its objectives for the initiative, we collected available quantitative data related to each of the initiative's objectives and compared the data before and after implementation of the initiative. For example, we obtained and reviewed changes in hours of operation of the main dining facilities, the menus being used, the number of meals served, and the cost of food service contracts. Also, to discuss with installation officials changes made under the initiative and progress towards the initiative's objectives, we visited four of the six installations where the initiative was being piloted—Elmendorf Air Force Base, Alaska; Fairchild Air Force Base, Washington; MacDill Air Force Base, Florida; and Travis Air Force Base, California. We selected the bases to visit to include various geographic locations and other factors. In addition, we reviewed the Air Force's customer satisfaction survey results on changes in the reported level of airmen satisfaction with various aspects of their food service experience. In areas where initiative progress to date differed from Air Force plans, such as in the timing of the implementation of the campus dining concept and changes in labor costs, we discussed with Air Force officials the reasons why and the associated impact on measuring the progress of the initiative at the pilot installations. In examining the meal count data, we looked for anomalies by comparing data month to month. We discussed anomalies with knowledgeable officials. As a result, the Air Force went through a revalidation process to verify the numbers and provided us with corrected data. Therefore, we believe that the meal count data we assessed are sufficiently reliable for the purposes of this report. To assess the reliability of the customer survey data, we discussed the data with knowledgeable officials and examined the survey response rate. The survey response rate is low and the Air Force did not perform a nonresponse analysis to clarify whether those who did not respond to the survey may provide substantively different answers than those who did respond. The survey results could be interpreted more confidently if a nonresponse analysis

was done to establish whether or not it is likely that there are any systematic biases due to some people being more or less likely to respond to the survey. However, we are presenting these data as descriptive information that the Air Force is using to measure its progress in meeting these objectives and have noted its limitations.

To document the initiative's impact on the food service employees at the pilot bases, we considered the three types of food service employees: appropriated fund civilian and military food service employees at the main dining halls, contract workers at the main dining halls, and nonappropriated fund employees at nonappropriated fund food and beverage operations. Specifically, for the civilian and military food service employees, we interviewed union representatives and groups of food service workers, as well as individual workers, who were available to meet with us during our visit about their experiences under the initiative, and also spoke to Air Force and Aramark officials about how the initiative affected these employees, including any changes in employment numbers. For the contract employees at the main dining facilities, we obtained and compared the number of employees prior to and after the implementation of the initiative and also spoke with Air Force, Aramark, and Ability One officials about changes under the initiative. Aramark officials stated that the numbers represent the number of employees the day Aramark took over the contract and accurately reflect the terminations and hires since October 1, 2010. However, the contract employee numbers cannot be validated since the names of the individuals are not available. These are small numbers of employees, and Aramark was able to count the number of Ability One workers at the dining halls on the first day of the contract. Because these are small numbers of employees, we believe there is less possibility for error. Therefore, we believe the data are sufficiently reliable for the purpose of this report. For the employees at the nonappropriated fund food and beverage operations, we obtained and compared the number of employees prior to and after the implementation of the initiative and documented the employment options taken by these employees after the implementation of the initiative. We also interviewed some former nonappropriated fund food and beverage operation employees who were available to speak with us during our visit to discuss their experiences under the initiative and discussed with Air Force headquarters and installation officials employee severance payments at the bases we visited.

To assess the Air Force's consideration of alternative approaches for transforming its food service program, we reviewed the Air Force

business case analysis that was used to evaluate alternatives for meeting the Air Force's food service improvement objectives. Specifically, we discussed the business case analysis process with Air Force officials and compared the methodology used in the analysis with Air Force guidance for conducting such analyses and with guidance contained in the *GAO Cost Estimating and Assessment Guide*.¹ In areas where the business case analysis did not follow guidance, we discussed the reasons why with Air Force officials and also asked about options for meeting the Air Force's food service improvement objectives that were not included in the analysis. Further, we talked with Air Force officials about opportunities for reducing food service costs outside of the Food Transformation Initiative.

We provided a draft of this report to DOD officials for their review and incorporated their comments where appropriate. We also provided the pertinent factual information contained in this draft to the contractor, Aramark, for review and incorporated Aramark's comments as appropriate.

We conducted this performance audit from September 2010 to July 2011, in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

¹GAO, *GAO Cost Estimating and Assessment Guide: Best Practices for Developing and Managing Capital Program Costs*, GAO-09-3SP (Washington, D.C.: March 2009).

Appendix II: Comments from the Department of Defense


DEPARTMENT OF DEFENSE
UNITED STATES OF AMERICA
PERSONNEL AND READINESS

OFFICE OF THE UNDER SECRETARY OF DEFENSE
4000 DEFENSE PENTAGON
WASHINGTON, D.C. 20301-4000

JUL 8 2011

Ms. Revae Moran
Acting Director, Defense Capabilities and Management
United States Government Accountability Office
Washington DC 20548

Dear Ms. Moran:

Thank you for the opportunity to comment on GAO Draft Report, GAO-11-676, "DEFENSE MANAGEMENT: Actions Needed to Improve Management of Air Force's Food Transformation Initiative," dated June 9, 2011 (GAO Code 351536). The Department concurs with the four recommendations and appreciates the comprehensive review the GAO conducted on this important initiative. The enclosure to this letter outlines the actions Air Force is taking in response to the recommendations.

Of particular note is GAO's recommendation to use lessons learned from the Food Transformation Initiative to review and renegotiate current food service contracts to adjust labor costs as necessary at all Air Force dining facilities, potentially achieving immediate savings prior to expanding the initiative. We intend to share this lesson learned with the other Services.

With regard to the annual customer satisfaction survey that Air Force will use to measure progress for several Food Transformation objectives, it is important to clarify the survey methodology and reliability. The CFI Group, a management consulting firm conducts the survey and specializes in the application of the American Customer Satisfaction Index (ACSI) methodology to individual Air Force program objectives. The ACSI, established in 1994, is a uniform, cross-industry measure of satisfaction with goods and services in a number of national industry sectors from transportation and health care to hotels and food service.

CFI group uses the ACSI methodology to identify the causes of satisfaction, and relates satisfaction to business performance measures. Using CFI Group results, Air Force can identify and improve those factors that will improve satisfaction and other measures of business performance. ACSI ratings are presented on a 0-100 scale. Within the context of the survey results, scores in the 60s are characterized as "fine but could use work," the 70s as "good job but keep working on it" and the 80s as "excellent – keep it up." At the program area level, CSI scores in the mid-70s are expected; it is unlikely that any program area will achieve a score greater than 85. An increase of two points or more is considered significant for increased customer satisfaction (and business performance). Therefore, the comparison on page 15 between customer satisfaction with several criteria for the pilot bases and non pilot bases shows significant improvement in customer satisfaction where Food Transformation has been implemented and Air Force's stated goals for future CFI scores are commendable.

**Appendix II: Comments from the Department
of Defense**

The GAO expresses concern about a low (17 percent) response rate among active duty personnel for the recent surveys. In consultation with CFI group personnel, we have benchmarked the achieved response rate to several surveys conducted by CFI of a similar methodology (i.e., "outbound" email invitation with some pre-notification, reminder/follow up emails sent, no incentives offered for completion). For example, a survey of institutional investors of financial services had a 24 percent response rate; account holders at credit unions a 1-8 percent response rate; businesses and organizations within government agencies a 5-20 percent response rate; and subscribers to satellite television a 3-5 percent response rate.

The response rates achieved in the Air Force 2010 Caring for People survey meet and in most cases far exceed the rates CFI Group is accustomed to seeing in its other client work. For the sample sizes used, the confidence intervals around the scores are within 2-3 points on the 0 to 100 point reporting scale at the 90 percent level of confidence (some programs areas will be higher), which is sufficient to identify substantive differences in performance over time and/or across various segmentations of the data.

Thank you again for the excellent review. The professional and experienced conduct of you and your staff was exceptional and contributed to a very productive study.



Robert L. Gordon III
Deputy Assistant Secretary of Defense
(Military Community and Family Policy)

Enclosure:
As stated

**GAO DRAFT REPORT DATED JUNE 9, 2011
GAO-11-676 (GAO CODE 351536)**

**"DEFENSE MANAGEMENT: ACTIONS NEEDED TO IMPROVE
MANAGEMENT OF AIR FORCE'S FOOD TRANSFORMATION
INITIATIVE"**

**DoD COMMENTS
TO THE GAO RECOMMENDATIONS**

RECOMMENDATION 1: Before implementing the Food Transformation Initiative at other Air Force bases, the GAO recommends that the Secretary of the Air Force direct the Air Force Services Agency to develop an evaluation plan to accurately and reliably assess the results of the pilot phase of the Food Transformation Initiative. This evaluation plan should include, at a minimum, well-defined, clear, and measurable metrics to use in determining the results of the initiative and time frames for collecting data and reporting results.

DoD RESPONSE: Concur. Air Force Services will complete the evaluation plan, with well defined measureable metrics, in August 2011. There are currently measureable metrics for seven of the eight Air Force objectives, and work continues on the development of measureable data for the eighth objective, "providing a sense of community." Final efforts are being made on the Balanced Scorecard and evaluation plan, and the completed plan will be in effect well before implementation of Food Transformation at the next portfolio of bases.

RECOMMENDATION 2: Before implementing the Food Transformation Initiative at other Air Force bases, the GAO recommends that the Secretary of the Air Force direct the Air Force Services Agency to evaluate the results of the implementation of the campus dining concept at the six pilot locations to determine if adjustments are needed before expanding the initiative to additional bases.

DoD RESPONSE: Concur. The implementation of Campus Dining began June 6, 2011 at Patrick AFB. Implementation of Campus Dining at all six pilot bases is scheduled for completion by the end of July 2011. As each implementation occurs, Campus Dining will be subject to initial and ongoing analysis, with adjustments made as issues are identified. The Air Force delayed Campus Dining until an effective method for capturing Essential Station Messing (ESM) usage at nonappropriated fund (NAF) food service operations could be implemented. The requirement to discontinue use of the member's social security account number as

a means to identify enlisted members on ESM required the identification and development of an alternative method of identifying ESM members and the meals they consume. Use of the alternate identifier on a military member's identification card was pursued, and the appropriate software product developed. Air Force is confident they can now provide a Campus Dining benefit to enlisted members on ESM with the level of accountability required.

RECOMMENDATION 3: Before implementing the Food Transformation Initiative at other Air Force bases, the GAO recommends that the Secretary of the Air Force direct the Air Force Services Agency to reevaluate the number of military personnel hours the Air Force can provide the contractor for food service, make adjustments where possible in projected labor hours, and take into account the increased labor costs in revising the cost savings estimates for the future.

AF RESPONSE: Concur. The Air Force Services Agency (AFSVA) has tracked the availability of military food service manpower since the initial implementation of Food Transformation, and this process continues. The pilot bases are currently conducting a 100% revalidation of available military manpower for use in a final 4th quarter FY11 cost projection, and for determining the cost estimate for their food service contract for FY12. Applying the lessons learned from the initial implementation, additional planning factors for use in determining the amount of available military food service manpower were sent to each base in the next portfolio and their parent Major Command. Once the final manpower estimates are provided to AFSVA, the Food Transformation team will contact each base to insure all planning factors have been properly considered prior to releasing any due diligence data for contract bidder use on the next portfolio.

RECOMMENDATION 4: The GAO recommends that the Secretary of the Air Force monitor the actions taken by the Air Force Major Commands in response to the recent direction to review food service contracts, and take actions, as appropriate, to ensure that cost savings measures are implemented.

DoD RESPONSE: Concur. On March 28, 2011, the Commander, AFSVA requested each Major Command task their bases to conduct a 100% review of existing food service, to determine if their current contract workload estimates meet current mission needs or if the contract requires modification. Results of this review are currently being analyzed.

Appendix III: GAO Contact and Staff Acknowledgments

GAO Contact

Revae Moran, (202) 512-3863 or moranr@gao.gov

Staff Acknowledgments

In addition to the contact named above, key contributors to this report were Laura Durland, Assistant Director; Leslie Bharadwaja; Dawn Godfrey; Sharon Reid; Joanne Landesman; Carol Petersen; Michael Shaughnessy; and Amie Steele. In addition, Michele Fejfar, Kirsten Lauber, Brian Lepore, Pat Owens, Cheryl Williams, and William Woods provided their expertise and guidance.

GAO's Mission

The Government Accountability Office, the audit, evaluation, and investigative arm of Congress, exists to support Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the federal government for the American people. GAO examines the use of public funds; evaluates federal programs and policies; and provides analyses, recommendations, and other assistance to help Congress make informed oversight, policy, and funding decisions. GAO's commitment to good government is reflected in its core values of accountability, integrity, and reliability.

Obtaining Copies of GAO Reports and Testimony

The fastest and easiest way to obtain copies of GAO documents at no cost is through GAO's Web site (www.gao.gov). Each weekday afternoon, GAO posts on its Web site newly released reports, testimony, and correspondence. To have GAO e-mail you a list of newly posted products, go to www.gao.gov and select "E-mail Updates."

Order by Phone

The price of each GAO publication reflects GAO's actual cost of production and distribution and depends on the number of pages in the publication and whether the publication is printed in color or black and white. Pricing and ordering information is posted on GAO's Web site, <http://www.gao.gov/ordering.htm>.

Place orders by calling (202) 512-6000, toll free (866) 801-7077, or TDD (202) 512-2537.

Orders may be paid for using American Express, Discover Card, MasterCard, Visa, check, or money order. Call for additional information.

To Report Fraud, Waste, and Abuse in Federal Programs

Contact:

Web site: www.gao.gov/fraudnet/fraudnet.htm

E-mail: fraudnet@gao.gov

Automated answering system: (800) 424-5454 or (202) 512-7470

Congressional Relations

Ralph Dawn, Managing Director, dawnr@gao.gov, (202) 512-4400
U.S. Government Accountability Office, 441 G Street NW, Room 7125
Washington, DC 20548

Public Affairs

Chuck Young, Managing Director, youngc1@gao.gov, (202) 512-4800
U.S. Government Accountability Office, 441 G Street NW, Room 7149
Washington, DC 20548

